



Can external communication strategies potentiate innovations' success?

The case of hostels in Porto

by

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Abstract

The concept of innovation has been subject to different interpretations over time, having nowadays a much broader meaning than the one originally defined by Schumpeter in 1934. Companies have the opportunity to innovate in distinct ways, not only in the product or service they offer, but also by restructuring the way they define the group of consumers they want to reach, the implemented processes and their presence in the marketplace (Sawhney *et al*, 2006).

The communication of innovations, taking into account their specific features, can have a significant influence on their success. However, the communication channels of innovations vary greatly according to the specific characteristics of the industry in which they operate.

In fact, to innovate is an important strategic resource to ensure growth and sustainable wealth for all sectors, but particularly for those industries where markets are saturated and customers choose products and services around the world, such as tourism (Peters and Pikkemaat, 2013). In Portugal, *hostels* are still a very recent phenomenon, but with an increasingly heavy weight in this sector.

This analysis aims to explain in what way Porto hostels are innovative, based on the categories defined in the Innovation Radar (created by Sawhney *et al*, 2013). It is also a goal of this study to understand how the communication of innovations is performed, and if the communication strategies adopted influence their success.

Given the exponential increase in their number, hostels in Porto feel the need to differentiate and innovate, in order to face strongly increasing competition. The way these innovations are communicated to the public can strongly influence their choice, and enable a hostel to be chosen instead of another.

Keywords: Hostel, Communication, Innovation Radar

Resumo

O conceito de inovação tem sido alvo de diferentes interpretações ao longo do tempo, tendo hoje um significado muito mais abrangente do que o inicialmente definido por Schumpeter, em 1934. As empresas têm a oportunidade de inovar de formas distintas, não só no produto ou serviço que oferecem, mas também ao reestruturarem o modo como definem o grupo de consumidores que visam atingir, os processos que implementam e a sua presença no mercado (Sawhney *et al*, 2006).

A comunicação das inovações, tendo em conta as particularidades que lhes estão associadas, pode ter uma influência significativa no seu sucesso. Porém, os canais de comunicação das inovações variam muito de acordo com as características específicas da indústria onde se inserem.

De facto, inovar é um recurso estratégico importante para garantir o crescimento e a riqueza sustentável para todos os setores, mas em particular para aquelas indústrias onde os mercados estão saturados e os clientes escolhem produtos e serviços de todo o mundo, como é o caso do turismo (Peters e Pikkemaat, 2013). Em Portugal, os *hosteis* são um fenómeno ainda muito recente, mas que tem um peso cada vez mais relevante neste setor.

A análise realizada neste trabalho visa explicitar em que é que os *hosteis* do Porto são inovadores, tendo como base as categorias definidas no Radar da Inovação de Sawhney, Wolcott e Arroniz. É ainda objetivo deste estudo perceber como é realizada a comunicação das inovações, e se as estratégias de comunicação adotadas influenciam o seu sucesso.

Tendo em conta o aumento exponencial do seu número, os *hosteis* do Porto sentem a necessidade de se diferenciar e inovar, com o objetivo de fazerem frente à crescente concorrência. A forma como estas inovações são comunicadas ao público pode influenciar fortemente a sua escolha, e levar a que um *hostel* seja escolhido em detrimento de outro.

Palavras-chave: *Hostel*, Comunicação, Radar da Inovação

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Chapter 1

Introduction

Since the middle of the 60s, and nowadays more than ever, innovation is seen as a key strategic issue for organizations, changing the way they can establish their competitive position in the market (Baregheh *et al*, 2009). A quick search on Google on the word “innovation” achieves more than 57 million of results!¹ Companies are encouraged to continuously innovate, as they “*seem to have an almost insatiable thirst for knowledge, expertise, methodologies and work practices around innovation*” (Kelley, 2001, p. 4).

After years of research and different interpretations of this subjective word, “innovation” has now a much broader meaning. According to the European Commission, based on the results of the Innovation Union Scoreboard, “*innovation is a complex, cumulative, interdisciplinary and highly interactive process*”. “*More than ever, innovation performance is considered to be a key driver in increasing economic competitiveness, solving societal challenges and supporting the transformation of societies*” (Izsák *et al*, 2013, p. 10). It appears to be essential for companies to innovate, in order to obtain profits and achieving a distinctive position in the marketplace. However, this differentiation only becomes a competitive advantage if consumers understand the innovation, if they are aware of its existence and if they recognize it as necessary valuable.

Nevertheless, the promotion of innovations is still far from matching the status achieved by external communication strategies in other fields. “*That happens because most of the focus has been misdirected; the issue is not about better inventions or more creativity. What is needed is a new paradigm: a combination developing the concepts and how they will be communicated*” (Duboff, 2008, p. 28).

Assuming that the communication of these initiatives may have significantly impact on their success, the aim of this study is to investigate in which way the communication processes of innovations are managed, and whether they can be an asset to the value

¹ Source: Google: www.google.com, accessed on 29th September 2014

chain of companies. For this purpose, this research will be designed in order to answer the following question:

Can external communication strategies potentiate innovations' success?

For the purpose of this study, this question will be addressed through an exploratory methodology applied to the area of tourism in Porto, performed on a set of selected hostels.

According to IAPMEI² (the Portuguese Institute for Supporting Small and Medium Enterprises and Innovation), regarding the tourism sector, the following actions become increasingly important:

- to promote and enhance the competitiveness of enterprises in the tourism sector, fostering the development of strategies that aim at increasing their technical and technological capacity and their bargaining power within the value chain of the sector;
- acting on the critical factors of the sector, ensuring their sustainability, including the consolidation of the major tourist centres of production as well as the existing tourism offer, promoting the increase of productivity in companies and enhancing the qualification and training of tourism professionals, as well as promoting the internationalization of Portugal as a tourism destination;
- supporting the internationalization of economic agents in the Tourism sector, through appropriate forms of access to internationalization, autonomously or in combination with financial mechanisms;
- encouraging the development of new business areas in the creation of new tourist products based on the existing potential and / or contributing to the strengthening of regional cohesion through the exploration and development of new touristic areas.³

²Source: IAPMEI: www.iapmei.pt, accessed on 20th January 2014

³Source: IAPMEI: www.iapmei.pt, accessed on 20th January 2014

In this context, companies directly or indirectly related with the tourism industry, have been developing innovative projects in order to obtain a competitive position in an increasingly explored market. *“Innovation and new service development are important strategic features to assure growth and sustainable wealth for every industry, but in particular for those industries where markets are saturated and clients choose products and services from all over the world, such as is the case in tourism”* (Peters and Pikkemaat, 2013, p. 1).

In the scope of this study, “innovative projects” in the tourism industry are those which meet the requirements set by *QREN – Quadro de Referência Estratégico Nacional* (the Portuguese National Strategic Reference Framework)⁴:

- creation of projects, equipment or services with an innovative character, with high level of differentiation or by the application, in the context of the tourism sector, of the most modern technologies;
- requalification of projects, equipment or services by introducing factors of innovation or high level of differentiation as well as by the application, in the context of the tourism sector, of the most modern technologies;
- expansion of the production capacity in markets with dynamic international demand, through the resizing of endeavours or equipment, or through the introduction of new services with high level of differentiation in these same projects.

Investment in tourism seems therefore a solution to improve the economy, taking advantage of the natural and cultural heritage, and of all positive local evolution. But it must be done in a careful and balanced way, focusing on the areas of greatest interest.

The awareness about the city of Porto as the object of this study results from a variety of factors related with its growing tourism expansion and its international recognition.

⁴ Source: Turismo de Portugal:
<http://www.turismodeportugal.pt/Portugu%C3%AAs/AreasAtividade/ApoioaoInvestimento/Pages/QREN-SistemadeIncentivosaInovacao.aspx>, accessed on 30th March 2014

*“With striking contemporary and timeless attractions, an expanded airport (to which a larger-than-ever number of airlines fly every day), a new state-of-the-art metro, and a renovated World Heritage centre, there has never been a better time to visit Oporto”*⁵.

In fact, Porto is now, more than ever, a city that is worth visiting: full of art, culture, tradition and many new attractions to discover. According to *Lonely Planet*, the well-known publisher of travel guides, Porto was the best destination to visit in 2013. *“Porto emerged as a vibrant arts capital”* says Andy Murdock, the author of the article. University life, cultural spots like *Serralves Foundation* or *Casa da Música*, the nature and the beaches or the bustling nightlife attract tourists of all ages, from all over the world.

The bet on tourism and on urban rehabilitation has been a reality for a long time, although only recently it excelled on the international scene. From 1974 to 2003, the CRUAR⁶ (Comissariado para a Renovação Urbana da Área Ribeira / Barredo) was responsible for the rehabilitation of the old part of the city. *“A major landmark in this management of old Porto was the obtaining in 1996 of UNESCO World Heritage Site status”* (Santos, 2011, p. 447). Throughout 2004 and 2005 a strategic plan for urban regeneration of Porto downtown was developed. It was known as the “Masterplan” (Azevedo, 2010).

In 2007, the National Strategic Plan for Tourism was developed. This plan predicted that, by the year of 2015, Porto and the North of Portugal would count more 1.7 million overnight stays by foreigners, reaching between 3.1 and 3.3 million overnight stays. According to this forecast, Portugal would be by then the country with one of the best performances in terms of growth, growing at an average annual rate of 8.5% (Azevedo, 2010).

In addition to this geographical and cultural potential, it is important to state the growing of the network of airlines flying to the Porto airport. Particularly relevant was the fact of Ryanair creating a base here. In the second quarter of 2013, there was a

⁵ Source: GoOporto: [http:// www.gooporto.com/porto-sights/](http://www.gooporto.com/porto-sights/), accessed on 30th March 2014

⁶ Commissioner for Urban Renewal of Ribeira / Barredo Area

significant growth in the use of low cost airlines, standing out Ryanair and EasyJet, especially in the case of tourists on holidays.⁷

This dissertation is organized in 5 chapters, as follows. The current chapter (Chapter 1) gives an introduction to the work and presents the scope and objectives of the dissertation. A specific research question is formulated.

Chapter 2 provides a comprehensive state of the art about the several current perspectives on innovation, communication strategies and how companies communicate innovations. This state of the art is intended to understand what are the most important factors to take full advantage of communicating innovations adequately.

Then, in Chapter 3, the emphasis will be on the methodology – the content analysis based on the selected tourism companies in Porto, using the NVivo software application and starting from a series of categories taken from the existing literature. Some of the practical work will also be reported, presenting the first findings.

In Chapter 4 the results will be reported, through interviews and a comprehensive analysis of the data gathered.

With the Chapter 5 (Conclusion) the research question will be answered, and the most important findings of the study will be presented.

⁷ Source: Study of the profile of the tourists who visit Porto and / or North Portugal: <http://www.portoenorte.pt/client/files/0000000001/2194.pdf>, accessed in 14th April 2014

Chapter 2

Literature Review

In order to understand the importance of the external communication of innovations, it is essential to understand, first of all, the concept of innovation and all the meanings it may cover. *“Innovation is derived from the Latin verb innovare or in novus; “into new”. In its simplest form, innovation refers to doing something different”* (Costello and Prohaska, 2013, p. 64). According to Baregheh *et al* (2009, p. 2) the term, used in the same context it is applied today, was proposed by Thompson, in 1965, as *“the generation, acceptance and implementation of new ideas, processes, products or services”*. Moreover, West and Anderson, in 1996, proposed a definition more focused on practical applications: *“Innovation can be defined as the effective application of processes and products new to the organization and designed to benefit it and its stakeholders”* (Baregheh *et al*, 2009, p. 2).

More recently, it can be broadly considered that innovation refers to doing something different, with the outcome adding value to the firm and to its products and services, as perceived by the customers (Baregheh *et al*, 2009). *“Innovation can be operationalized in a variety of ways, including innovation in experimental design, theoretical frameworks, studies addressing the same hypothesis under different conditions and settings”* (Vaughan, 2008, p. 1).

This concept encompasses so many aspects that some authors believe that *“the perception of innovation is based not only on solid scientific data, but also on the cultural perception of innovation, which is not a global concept”* (Hughes, 2009, p. 683).

In this sense, this chapter is intended to analyse the concept of innovation in an embracing way, taking into account some particular aspects regarding the consumer's perspective. Starting from this point, the communication strategies will be addressed, first focusing on promotion in general, and then on the specific promotion of innovations.

2.1. Innovation

For Schumpeter (1934), the entrepreneur's motivation to innovate is the search for increased profit. *"Innovation - as a factor of differentiation or exclusivity - will create a monopolistic structure in the market, allowing superior returns (profits) until the moment when followers (imitative competitors) cause these returns to fall to an equilibrium level. Of course, this equilibrium is constantly changed by the introduction of more innovations, thus creating dynamic market and economic growth"* (Dinis, 2007, p. 12).

In this sense, innovation is a much broader concept than technological innovation. According to Porter (1990), innovation includes improvements in technology and better ways of doing things in all aspects of business. In other words, it is everything that increases the effectiveness and efficiency of resources, considering the satisfaction of market needs.

"Many companies might see innovation only as a synonymous with new product development or traditional research and development. But such myopia can lead to the systematic erosion of competitive advantage, resulting in firms within an industry looking more similar to each other over the time" (Sawhney et al, 2006, p.75).

"Companies with a restricted view of innovation can miss opportunities. A new framework called "the innovation radar" helps avoid that" (Sawhney et al, 2006, p.75).

The innovation radar (Figure 1) displays the 12 dimensions of business innovation, anchored by the offerings a company provides, the customers it serves, the processes it employs and the points of presence it uses to take its offerings to the market (Sawhney et al, 2006).

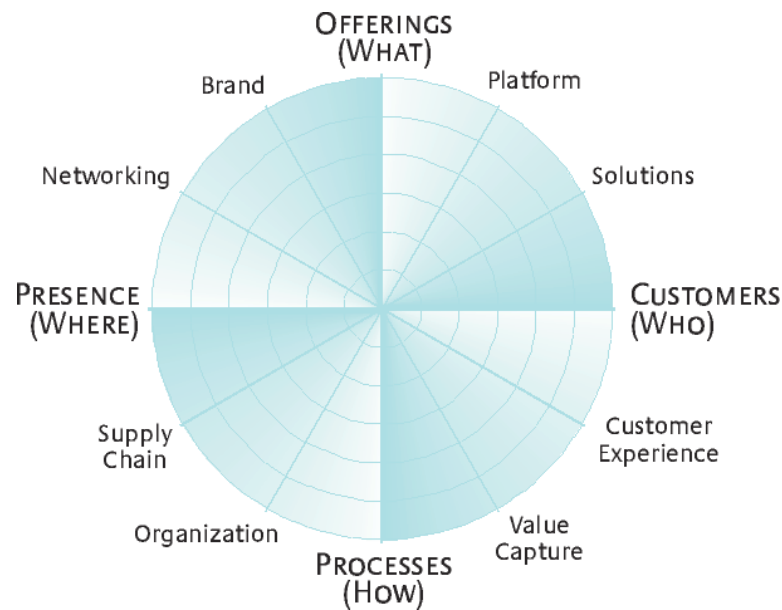


Figure 1 – The Innovation Radar

Source: Sawhney et al, 2006

The radar could help a firm determine how its current innovation strategy stands against its competitors. Using that information, the company could then identify opportunities and prioritize on which dimensions to focus its efforts.

For example, if the radar is analysed through the dimension of “offerings”, to innovate developing new products or services can be the best option. If it is analysed from the perspective of the “organization”, to innovate can be a synonym of changing the form, function or activity scope of the firm.

Taking into account the comprehensiveness of the term, innovation can be viewed in another perspective that includes concerns about design, presentation, image, segmentation, and all the concepts related with the marketing approach, i.e. innovation is, by definition, market-driven. *“In this sense, the success of any innovation (and consequently the competitiveness of firms/regions) depends on its marketing*

orientation; that is, on its ability to adjust or (still better) anticipate market tendencies” (Dinis, 2007, p. 13).

“Business innovation is about new value, not new things. Innovation is relevant only if it creates value for costumers – and therefore for the firm” (Sawhney et al, 2006, p. 76). Conversely, technological innovation in the laboratory does not necessarily translate into customer value. Therefore, and given the nature of the study to be performed, at a first analysis the following seven specific dimensions of the innovative radar appear to be particularly relevant (Sawhney et al, 2006):

- *Offerings* - the creation of new products and services that are valued by customers.
- *Solutions* - solution innovation creates value for customers through the breadth of assortment and the depth of integration of the different elements.
- *Costumers* – firms can innovate discovering unmet customer needs or identifying underserved customer segments.
- *Costumer Experience* – innovation can take place by redesigning costumer interactions across all touch points and all moments of contact.
- *Value Capture* – redefine how company gets paid or create innovative new revenue streams.
- *Processes* - a company can redesign its processes for greater efficiency, higher quality or faster cycle time.
- *Presence* – create new distribution channels or innovative points of presence, including the places where offerings can be bought or used by costumers.

Thus, *“organizations need to innovate in response to changing customer demands and lifestyles and in order to capitalize on opportunities offered by technology and changing marketplaces, structures and dynamics”* (Baregheh et al, 2009, p. 1).

Rejecting the traditional market-pull and technology-push dichotomy, Verganti (2009) proposed a third model called “design driven innovation”. It is *“a strategy that aims at radically changing the emotional and symbolic content of products, their meanings and*

languages, through a profound understanding of broader changes in society, culture and technology” (Verganti, 2009, p. 3)

Indeed, *design* can be considered a mean of reaching success because (Battistella *et al*, 2012):

- it allows to intercept emerging issues and understand signs and weak signals and consequently permits to the manager to shape strategies;
- it allows to communicate with stakeholders sharing values and meanings, reinforcing relationships with suppliers and customers and stakeholders' communities;
- it allows to convey the meanings into different building blocks of the business model.

In this process, the communication of innovations developed by the company plays a crucial role: it is needed to communicate a “*value proposition*” about the new product or service, or even about the firm, and targeting this message at potential stakeholders (Schoonmaker *et al*, 2012).

The mistakes and misunderstandings of communication can be a barrier to the success of innovations. The “*Apple’s Newton was the first PDA introduced, seemingly an easy winner. However, since the category was new (and required writing on an electronic device) more was needed than the “wow” factor at which Apple excels. Put another way, Apple failed to establish the PDA as a distinct category, complementary to the personal computer*” (Duboff, 2008, p. 29). In other words, to innovate was not enough, and to properly communicate the innovation was also required.

2.2. Communication

First of all, it is relevant here to understand the general role of communication in any relationship established between human beings. Humans can manage to communicate much more than simply encoding and decoding messages, and sometimes it is possible to understand all the words without understanding their real meaning. The same words used in different contexts and by different people may have multiple interpretations. Sperber illustrates this idea with an example: *“Imagine you are killing time at an airport. There is a woman standing nearby and you overhear her say to her companion, “it’s late.” You have heard and even uttered these very same words many times. Do you know what they mean? Of course. But do you know what the woman meant in uttering these words right now? Think about it. She might have been talking about a plane and meaning that it would arrive - or maybe depart - late. She may as well have been talking about a letter she was expecting, or about spring being late. Maybe she was not talking about anything in particular; she might just mean that it’s late in the afternoon, or in the day, or in her life. Moreover “late” is always relative to some schedule, or expectation: it might be late for lunch and yet early for supper”* (Sperber, 2009, p. 192).

Therefore, to know how to communicate becomes essential in any context, so that the information will not be misinterpreted. And when a company intends to promote a new product, design or service, this is one of the most important issues to take into account.

It is just not as simple as “the company sells, the consumer buys”. Nowadays, with the Internet and knowledge easily available, it is necessary to convince a much more informed public, and spreading the right image becomes crucial. *“Some companies and other organizations are well known for their ability to conduct a truly integrated communication campaign designed to get the message across even though it is tailored to various stakeholders. Not only is the matter one of providing a coherent and consistent message that fosters an understanding of the company as its management and employees want it to be understood, but it also means that key audiences are addressed in terms of the stake each of them holds with regard to the organization”* (Heat, 1994, p. 55).

For Cornelissen and Thorpe (2001, p. 414) “*the future of a company depends critically on how it is viewed by key publics such as shareholders and investors, customers and consumers, employees, and members of the community in which the company resides*”. The same authors (2001) developed a study identifying the dimensions and environmental parameters to be considered in the organization of a company’s external communication in large companies in the UK. The study raised some important issues:

- the existence of structural relations between internal and external environmental conditions on one hand, and the organization dimension on the other;
- in certain companies, it seems relevant to outsource some of the communication activities to external agencies;
- the social context may affect the organization of a company’s external communication (for example, the degree of governmental regulation of the economy).

But even if they may be constrained by several uncontrollable external factors, companies still try to manage the external communication in the most effective way to reach the consumers. This can imply managing all the communication strategy with a specialized department. That is why they bet on “integrated communication” solutions. “*Integrated communication may be commonly considered a management process of coordinating communication, but underlying integrated mechanics is a philosophy or spirit that enables the integrated “mechanics” to operate effectively*” (Smith, 2012, p. 606).

All these strategies can be useful for the purpose of this research. Innovations seem to be the key for enhancing the performance of a society and fostering its progress, and the communication of new ideas, technologies, products and services plays a crucial role in the process of innovation. For the diffusion of innovations it is essential to make them popular both among the experts and within broader parts of society (Mast *et al*, 2005, p. 3).

2.3. Communication of innovations

Since it is so important for companies to know how to promote their products or services, and even to show themselves as credible and reputable organizations, external communication of innovations has a particular relevance. This is clearly a really recent reality that needs to take into account the very specific target audience under consideration.

In fact, due to the peculiar nature of this target, informing properly and rigorously is critical to this kind of promotion. *“Marketeers who launch innovative products need to identify consumers who are willing to learn about, buy, and use these innovations. To optimize marketing campaigns, practitioners need to know the characteristics of this key segment in the diffusion process. Only if marketeers know about the needs and the behavioural patterns of consumers who are most likely to buy innovations, they can tailor their marketing mix”* (Hoffmann and Soyez, 2009, p. 778).

Hoffman and Soyes (2009) define this segment as “innovative consumers” – the most important target group in the diffusion process. These are consumers with a high degree of domain-specific innovativeness that make an effort to understand the details of technical innovations. Because of this background, the authors conclude that advertising campaigns for utilitarian innovations should provide product information rather than appealing to emotion: *“Innovative consumers seek information in special interest media and use products of a certain category very often”* (Hoffmann and Soyez, 2009, p. 7). Those individuals are more likely to be *opinion leaders* and presumably buy innovative products earlier than others to keep their social roles as consultants and advisors for *opinion seekers*: their public use of products stimulates other consumers to follow their example and buy these products as well. The analysis has shown that innovativeness is extensively influenced by opinion leadership and special interest media usage (Hoffmann and Soyez, 2009).

Knowing this kind of target is, therefore, the first step for the promotion of the innovations by companies. Then, they have to adjust their communication strategies. The communication of innovations can be described as *“symbolic interactions between organizations and their stakeholders, dealing with new products, services and*

technologies” (Mast et al, 2005, p. 4). Mast et al (2005, p. 10) also considered that this kind of promotion “prepares the ground for the successful development, implementation, and enforcement of technologies, products, and services. Entrepreneurs are interested in making their innovations public in order to position their company as a first mover and accordingly strengthen their company’s image”.

Duboff (2008) presents some assumptions about the process of communicating innovations:

- The more innovative a product/service, the more important and difficult it is to communicate and promote it.
- Estimating the potential of the product/service is linked to how it is communicated. If the market research test is based on an overpromise, as it is often the case, the test is not valid. Most market research tests completely inform the test subjects (respondents) of what the product is and what its function is, before asking the critical questions of level of interest and intent to purchase.
- Even if there is no overpromise, the results will vary depending on the communication. Thus, if a market research uses communication A, but the actual marketplace introduction uses communication B, results in the latter will differ from the former (as it is typical when marketeers are testing two alternative communications about the same product).
- Cross-functional, diverse teams produce the best results.

It is also important to quote Liao and Cheng, who introduced the concept of “product preannouncement” as formal, deliberate communication before a firm actually undertakes a particular new product development action, such as making changes in a product function or product line. Firms mostly use new product preannouncements as a strategic marketing tool (Liao and Cheng, 2012).

In order to make innovations public, expert journalism can also be essential. As such, *“innovation journalism covers technical, business, legal and political aspects of innovations. Furthermore, it evaluates and presents them to the public in a comprehensible way” (Mast, Huck, & Zerfass, 2005, p. 3)* But the role of journalists is not the only one crucial to potentiate a proper communication: *“those in charge of*

communication in companies and research institutions play a decisive role for communicating innovations” (Mast et al, 2005, p. 3).

Barriers to the communication of innovations

“Nowadays, the notion of innovation is virtually used everywhere. In everyday life it sometimes describes completely different matters. In particular marketing people tend to use the label “innovative” for products or services which are far from new” (Mast et al, 2005, p. 5).

Mast *et al* (2005) presented the survey INNOVATE 2004, the first nation-wide study on Innovation Communication, based on answers from 84 journalists from all media formats, and 376 communication experts from companies, agencies, research institutions, universities, politics and administration in Germany. They realized that just about one percent of press coverage of companies’ deals with innovations.

Of those interviewed, 90% of the communication experts and 95% of the journalists stated that the huge use and misuse of the term are responsible for the low media attention. Only very few of those products labelled innovative actually show a significant improvement or an obvious progress in relation to the already existing products. In addition, editorial offices usually have no specialists on this topic. In fact, in Germany there are neither “innovation departments” nor “innovation journalists” in the same way as there are journalists for business, technology or research (Mast *et al*, 2005).

Another reason for the lack of innovation reporting is the presence of “real” information barriers in organizations and companies themselves. It is not unusual that the communication office does not come to know about news directly from specific departments and, therefore, the need to communicate the innovation is not addressed by the company.

2.4. The influence of communication in the success of innovations

Effective communication requires a careful and detailed planning, and in general, project planning should be considered to be critical for reaching success. However, *“the importance of planning depends on the level of project risk and the success measure being targeted”* (Zwikael *et al*, 2014, p. 435).

Nevertheless, a study developed on May 2013, the “Pulse Study”, reveals that consistent communications is critical to any successful project, too. *“The most crucial success factor in project management is effective communication to all stakeholders - a critical core competency to all organizations. In a complex and competitive business climate, organizations cannot afford to overlook this key element of project success and long-term profitability”* (Project Management Institute, 2013, p. 2).

Executives and project managers around the world agree that poor communications contributes to project failure. The Forbes Insights 2010 Strategic Initiatives Study (“Adapting Corporate Strategy to the Changing Economy”) found that nine out of ten CEOs believe that communication is critical to the success of their strategic initiatives, and nearly half of respondents cite communication as an integral and active component of their strategic planning and execution process. And project managers see it similarly from their side; according to PMI’s Pulse research, 55 percent of project managers agree that effective communication to all stakeholders is the most critical success factor in project management.

However, the Pulse communications research finds that only one in four organizations can be described as highly effective communicators.

“Not all projects succeed. On average, two in five projects do not meet their original goals and business intent, and one-half of those unsuccessful projects are related to ineffective communications” (Project Management Institute, 2013, p. 6).

This research argues that ineffective communication leads to fewer successful projects; organizations that are minimally-effective communicators report significantly fewer projects that meet original goals, come in on time, and complete within budget. Organizations must take ownership of this problem and spearhead initiatives that will

improve communications and prevent additional project failures (Project Management Institute, 2013).

According to the same Institute (2013), many organizations recognize that they are currently not placing adequate importance to the statement of the most important aspects of innovations, such as the correct explanation of their benefits.

In what concerns to innovations, it is important to consider that *“Successful launches were found to be related to perceived superior skills in marketing research, sales force, distribution, promotion, R&D and engineering. Having cross-functional teams making key marketing and manufacturing decisions, and getting logistics involved early in planning were strategic activities that were strongly related to successful launches”* (Benedetto, 1999, p. 530). The same authors found out that a strong product launch greatly improves the chances of success, and highlight the importance of advertising and communication tests. *“Empirical studies demonstrate a close relationship between product performance, value delivered to customers, and success rate”* (1999, p.531).

2.5. A framework for the communication of innovations

This chapter has addressed the concept of innovation in a comprehensive way, especially focused on the added value for the consumer.

Having analysed the most relevant existing literature concerning to innovations and their promotion, the main aspects that companies have to take into account to communicate innovations properly have been analysed. Thus, a theoretical framework was created, considering eleven categories (Figure 2).

The Communication Strategies (1) will define the obtained Results (3) in the communication of innovations. However, external factors (3) will have a great impact obtaining these results, by changing the conditions previously adopted. This framework is one of the main contributions for this research.

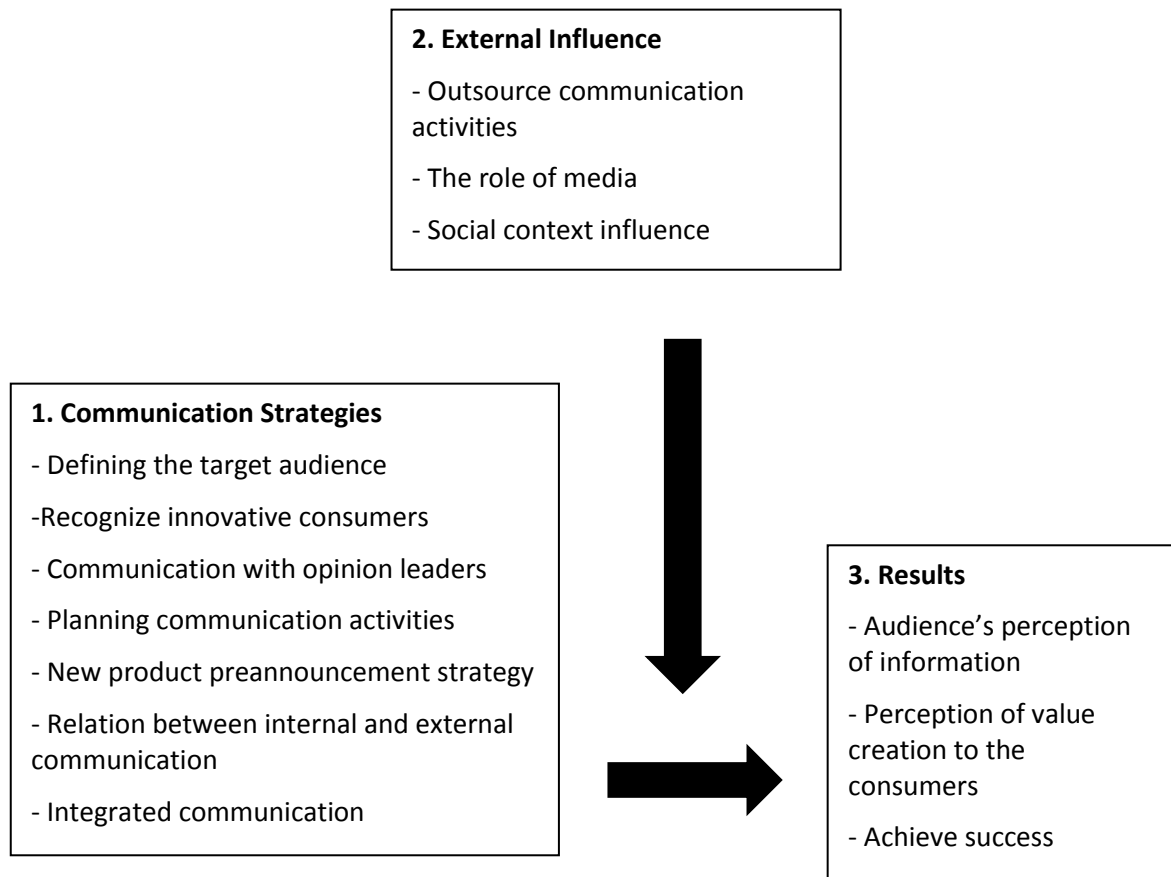


Figure 2 - Framework for the communication of innovations

Source: own elaboratio

2.5.1. Communication strategies

Defining the Target Audience

Knowing the characteristics and needs of the clients is the best way to create value, in this way being able to meet their expectations. *“Only if marketeers know about the needs and the behavioural patterns of consumers who are most likely to buy innovations, they can tailor their marketing mix”* (Hoffmann and Soyeze, 2009, p. 778).

Recognize innovative consumers

In the process of promoting an innovation it is crucial to identify the most innovative segment – the “innovative consumers”, and guide the communication strategies to influence those consumers (Hoffmann and Soye, 2009).

Communication with the opinion leaders

It is also important to identify the opinion leaders - especially in the innovation dissemination phase. These individuals buy innovative products earlier than others, to keep their social roles as consultants and advisors for opinion seekers: their public use of products stimulates other consumers to follow their example and buy these products as well (Liao and Cheng, 2012).

Planning communication activities

A timely planning of the communication strategy to adopt can be essential to achieve its success (Project Management Institute, 2013).

“New Product Preannouncement” strategy

The “new product preannouncement” strategy is a versatile communication process that companies utilize to send messages to target groups before launching the new product (Su and Vithala, 2008).

It can be useful in the launching of innovations, as it is defined as “*a formal, deliberate communication before a firm actually undertakes a particular marketing action such as a price change, a new advertising campaign or a product line change*” (Jehoshua and Robertson, 1988, p. 282).

Relation between internal and external communication

Internal and external communication are closely related (Cornelissen and Thorpe, 2001). The information perceived by the members of the organization should be close to the information understood by the consumers.

In this way, and when employees believe in the product or service they are selling, consumers will be much easily convinced.

Integrated communication

The American Marketing Association defines Integrated Marketing Communications (IMC) as “a planning process designed to assure that all brand contacts received by a customer or prospect for a product, service, or organization are relevant to that person and consistent over time.” “The IMC planning process has been compared to composing a musical score. In a piece of music, while every instrument has a specific task, the goal is to have them come together in a way that produces beautiful music. It’s the same in IMC, where advertising might be your violin, social media your piano, public relations your trumpet and so on”.⁸ Integrated communication is an effective strategy to communicate innovations, since it takes into account a wide variety of aspects and variables of the communication process (Smith, 2012).

2.5.2.. External Influence

Outsource communication activities

In certain companies, it seems relevant to outsource some of the communication activities to external agencies or organizations (Cornelissen and Thorpe, 2001).

The ideal business model is changing. With a renewed focus on core competencies – the activities on which a company competes – a growing number of functions previously handled internally are being outsourced to experts. As the functions being outsourced become more strategic, so do the benefits. In order to be successful in outsourcing, companies must also have a more strategic relationship with those external agencies.

Outsourcing marketing communications makes it possible for small firms to improve the quality of their marketing, save money, focus on their core business and increase flexibility at the same time (Quill Advertigins USA, 2007).

⁸ West Virginia University: http://imc.wvu.edu/about/what_is_imc

The role of media

To understand how media communicate innovations, and if they require expert journalism in that communication process, can be an asset to communicate innovations (Mast *et al*, 2005). In fact, as referred above, the concepts related with “innovation” are often used inappropriately by journalists with insufficient knowledge in the area.

Social context influence

The social context may affect the organization of a company’s external communications (this is, for example, the case of degree of governmental regulation of the economy) (Cornelissen and Thorpe, 2001).

The socio-cultural context refers to a group of contextual variables which influence the performance and activity of companies and reflects the values, customs and traditions of a society, influencing exchanges and work systems. Examples of socio-cultural variables are the lifestyle of a society, social values, demographic factors (birth rate, age structure ...) and also factors such as the illiteracy rate, the geographic distribution of the population and the educational and the ethnic composition of the population. All these factors can influence the performance of organizations, affecting their level of productivity and quality standards of their products (Nunes, 2010).

2.5.3. Results

Audience’s perception of information

When promoting an innovation, it is necessary to ensure that the information was communicated properly and understood by the target audience (Sperber, 2009).

Informing rigorously is critical, so that the consumer can understand all the benefits and characteristics associated with the innovation. More than in other kinds of promotion, the innovative product / service communicated requires a specific language and details.

Perception of value creation to the consumers

The perception of value creation to the consumers is the most important goal of an innovation (Sawhney *et al*, 2006). This means that the communication of any innovation should be addressed to the creation of value to the consumers, or it is pointless, no matter how promising it seemed to be.

As it was mentioned above, this idea is in accordance with Porter's (1990) definition of innovation - it is everything that increases the effectiveness and efficiency of resources, considering the satisfaction of market needs.

Achieve success

The final goal of launching an innovation is obviously its success, and it seems that the proper communication can be a way to obtain it (Project Management Institute, 2013). Measuring success can be subjective, so it is important to define the best ways to do it, according to the circumstances and the scope of the business.

For the purpose of this study, one needs to understand if the right kind of promotion and communication strategies act in the way of increasing the success of innovations in companies. In this sense, defining "success" is a central point for this work.

However, measuring success can be subjective, this requiring a careful definition of the ways and indicators to do it, according to the circumstances and the scope of the business. *"Not all businesses can be measured with the same indicators of success. Financially-oriented measures of success may not always be appropriate for assessing socially embedded businesses"* (Toledo-López *et al*, 2012, p. 2).

Low and MacMillan (1988) highlight the importance of theoretical perspectives and levels of analysis when studying business success. Often, the creation of enterprises, especially small ones, is not necessarily related to acquiring economic power and large profits, but rather to support a way of life or an opportunity for economic survival, self-employment, or to take advantage of what the environment has to offer.

Moreover, Cowling (2007) sees survival as the most basic measure of business success. However, the SME literature suggests survival in subsistence marketplaces as a relative measure of the merits of small businesses. *“The SME approach views business success as related to objective measurements such as financial growth (number of employees, sales turnover), organizational structure, and exports. Nevertheless, not all enterprises respond to the same measures of business success.”* (Toledo-López *et al*, 2012).

All these variables have been considered in this dissertation and have guided this research. However, some aspects aforementioned do not apply to this specific study, as shown in the next chapters.

Chapter 3

Methodology and first findings

Given the specific features of this research, a methodology called Systematic Combining will be used. *“The main characteristic of this approach is a continuous movement between an empirical world and a model world. During this process, the research issues and the analytical framework are successively reoriented when they are confronted with the empirical world. Systematic combining is a process where theoretical framework, empirical fieldwork, and case analysis evolve simultaneously, and it is particularly useful for development of new theories”* (Dubois and Gadde, 2002, p. 500).

This method was developed based on the “case study” approach, but trying to overcome some of its weaknesses. The most referred limitation of “case studies” is probably the lack of theoretical support: *“Some case studies are simply rich descriptions of events from which the readers are expected to come to their own conclusions. Others are really examples of data that appear to provide, at best, partial support of particular theories or frameworks and are used in a quasi-deductive theory testing way. A third kind employs multiple “case studies” in a way that suggests that they are relying on some notion of statistical generalization”* (Dubois and Gadde, 2002, p. 555).

On the other hand, Systematic Combining attaches a considerable importance to the existing literature and to the theoretical fundaments, the field research and the influencing factors of the studied reality. *“The researcher, by constantly going ‘back and forth’ from one type of research activity to another and between empirical observations and theory, is able to expand his understanding of both theory and empirical phenomena. The preliminary analytical framework consists of articulated ‘preconceptions’. Over time, it is developed according to what is discovered through the empirical fieldwork, as well as through analysis and interpretation. This stems from the fact that theory cannot be understood without empirical observation and vice versa. The evolving framework directs the search for empirical data. Empirical observations might result in identification of unanticipated yet related issues that may be further*

explored in interviews or by other means of data collection” (Dubois and Gadde, 2002, p. 555).

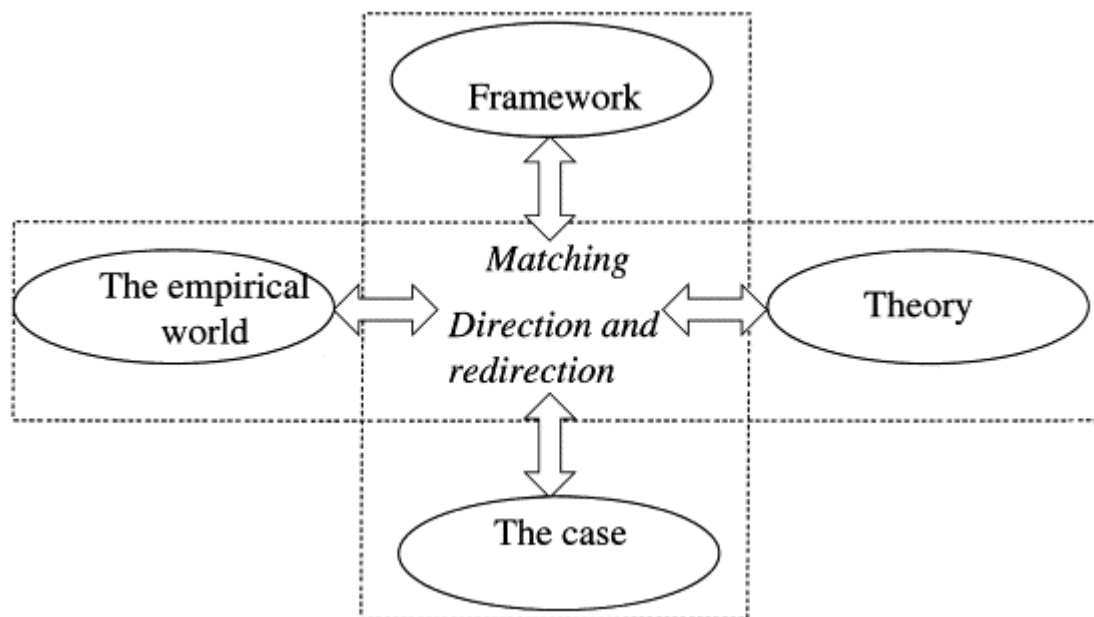


Figure 3 – Systematic Combining

Source: Dubois and Gadde, 2002

The Systematic Combining approach builds on two main concepts: matching, and direction and redirection (Figure 3). *“Matching is about going back and forth between framework, data sources, and analysis. Most data collecting activities are directed toward the search for specific data in line with the current framework. The activities need to be complemented by efforts aiming at discovery” (Reitsma, 2011, p. 252).*

In 2010, researchers of the University of Sidney tried to answer the question: “Which factors contribute to sustained celebrity worship/fandom within a micro-community?” by a video-ethnography approach, and they have used the Systematic Combining Method. They collected and analysed data in an iterative non-linear process in which they moved

from the literature to the data and back to the field to validate, expand upon or refute their emergent understanding.

These researchers tried to reduce the probability that their preconceived ideas would inhibit the collection of useful data and the detection of unanticipated patterns, or obscuring reality by forcing data into in-appropriate categories. However, they noted that doing research in this way, when a wide range of different data types are in play, requires substantially more time and effort than other approaches. And they thereby concluded that special care must be taken when analysing this type of material if an appropriate level of objectivity is to be achieved (Caldwell and Heny, 2010).

In the study described in this dissertation, the data were obtained through 13 interviews with the staff of 7 hostels, news available on the internet (media and blogs) and by the analysis of the hostel's websites.

The news accessed on the Web and the information available on the hostel websites served to validate the information obtained through interviews, as an essential complement when studying communication strategies.

To ensure the validity of the sample, two interviews were conducted in each hostel. First, the person considered the most knowledgeable in terms of the communication strategy of the hostel was interviewed: the owner, or the communication manager. In a second phase, the receptionists were interviewed, so that it was possible to get another perspective by the staff (expected to be in accordance with the first one).

The exception was Rivoli Cinema Hostel: in this case, only the owner was interviewed - despite all the efforts to gather a different perspective from other staff members, no one else was allowed to answer the questions.

Regardless this obstacle, this "triangulation" strategy (between the interviews to different people, the information on the website and the news) has proved to be a crucial tool to ensure the reliability of the collected data. It could be defined as "*a method used by qualitative researchers to check and establish validity in their studies by analysing a research question from multiple perspectives*" (Guion *et al*, 2013, p. 1).

According to Yin (1994), the use of multiple data sources to build a case study allows the researcher to consider a more diverse set of topics for analysis and simultaneously to corroborate the same phenomenon.

To understand and group the collected data, the computer program **QSR NVivo 10** has been used. NVivo 10 for Windows is a software application that supports qualitative and mixed methods research. It allows gathering, organizing and analysing the contents of interviews, surveys, audio, social media and web pages⁹. The information was organized in folders (interviews, news and website previews) and grouped in two different ways: by hostel, and by the questions asked on the interviews. This process enabled the intersection of data and obtaining the results presented in chapter 4.

3.1. Selection of cases

In a qualitative study such as the one developed in this dissertation, choosing the most appropriate sample becomes a key point for the credibility of the analysis.

Eisenhardt (1989, p. 532) pointed out the importance of the way cases are selected for the case study research. *“Selection of cases is an important aspect of building theory from case studies. As in hypothesis-testing research, the concept of a population is crucial, because the population defines the set of entities from which the research sample is to be drawn. Also, selection of an appropriate population controls extraneous variation and helps to define the limits for generalizing the findings”*. As this author suggests, the case may be chosen to replicate previous cases or extend emergent theory, or it may be chosen to fill theoretical categories and provide examples of polar types.

In some occasions, given the limited number of available cases, it makes sense to choose cases such as extreme situations and polar types in which the process of interest is "transparently observable". Thus, the goal of theoretical sampling is to choose cases which are likely to replicate or extend the emergent theory (Harris and Sutton, 1986).

⁹ Source: QSR International: http://www.qsrinternational.com/other-languages_portuguese.aspx, accessed in 16th September 2014.

Therefore, when using a Systematic Combining approach, *“the main concern in this kind of sampling is to arrive at an appropriate matching between reality and theoretical constructs. Sampling, thus, becomes more of a continuous process than a separate stage in the study, resulting in a preset sample on which data collection is based”* (Dubois and Gadde, 2002, p. 559).

Thus, for the choice of this sample, the analyzed literature on the main types of innovation in services was taken into account, in particular through a deep analysis of the Innovation Radar. Furthermore, the analysis aimed at representing the most common cases of innovations for hostels in Porto, and at covering the main categories of innovations studied.

Following the guidelines from the literature review about innovations and communication strategies, seven hostels have been considered for the purpose of this study. They were chosen for presenting innovative and differentiating features, compared to traditional hostels (see Table 1).

Costumer Experience						Process
		Costumers				
		Offerings		Solutions		
		Value Capture – Design Innovation				
1. Tattva Design Hostel	2. Rivoli Cinema Hostel	3. Gallery Hostel	4. Oporto Excentric Design Hostel	5. Oporto City Hostel	6. Oporto Sky Hostel	7. Invictus Hostel
Innovative Design – Comfort Environment	Thematic Hostel (Cinema Hostel)	Has its own art gallery	Has its own surf school and design agency	Private WC and lockers	A room only for women and bathrooms by genre	Powered by solar panels
Innovation						

Table 1 – Innovative hostels by the way they innovate

Source: own elaboration (according to QREN's definition of innovation)

3.2. Innovation through Costumer Experience

3.2.1. Tattva Design Hostel (Case 1)

Two beautiful buildings have been recovered and have been fully refurbished to become the biggest Hostel in Porto, with stunning views from the highest levels. It actually won three Hoscars, the awards organized by the Hostelworld booking website: for being the best large hostel, best facilities and best value for cost-benefit relation worldwide.



Figure 4 – Facilities of Tattva Design Hostel

Source: www.tattvadesignhostel.com

Tattva Design Hostel is also a reference in the famous international design magazine, Wallpaper (14th June 2012). *“Porto's largest hostel has moved into a reinvigorated world heritage building in a neighbourhood of Porto known for its burgeoning design scene. Local architect Miguel Nogueira of NN Arquitectura helmed the building's redesign, while interiors were tackled by Porto-based Mundano, who placed emphasis on feature lighting and bold colour. Rooms offer luxuries previously unknown to hostel-goers, like en-suite baths, high-pressure hot showers and in-room heating”*¹⁰.

At the entrance, there are vessels that fall from the ceiling over the counter, hand-shaped brackets and, in the four floors, there are perfect conceived pieces (lamps, chairs and furniture). However, through the interview with the communication manager, Renata Seabra, it is clear that this concept goes far beyond aesthetics. “Design” is seen as synonym of “comfort”, in a way that distinguished itself from the traditional hostels. The main purpose of the "design hostel" is to make guests feel at home, comfortable,

¹⁰ Source: Wallpaper, <http://www.wallpaper.com/travel/the-new-breed-of-designer-hostels/5826>, accessed in 16th September 2014

and willing to pay more for a premium service: all rooms have curtains around the bed for added privacy; all beds have an individual fan and an outlet, and the mattresses are orthopaedic. It is in this sense that Tattva innovates by providing a unique experience to its guests, through its appealing, yet functional, design and all the associated amenities – innovation through consumer experience.

3.2.2 Rivoli Cinema Hostel (Case 2)

This hostel innovated in the same area as Tattva Design hostel: through its decor. But in a different way: it is the first Cinema themed Hostel in Portugal. The hostel has 13 rooms, each one about a different film. It is possible to choose a room by a Director or by a Film, and the interior of the room has its own decoration, related to the choice. As stated on the Rivoli Cinema Hostel website, *“it is possible to find movies from Tim Burton, Tarantino, Ridley Scott, Almodovar, Jean-Pierre Jeunet, Godard, Manoel de Oliveira, David Fincher, Alejandro González Iñárritu, Michael Radford, Mira Nair, Steven Spielberg, Stanley Kubrick, Jonathan Demme, and Ang Lee”*.



**Figure 5 – One bedroom of Rivoli Cinema Hostel
“Corpse Bride” movie**

Source: www.rivolicinemahostel.com

This organization goes clearly beyond traditional hostels, making it appealing for its difference. A clear attempt was made to meet client's specific need. In fact, in the beginning, the owners had a vision: to promote quality films, that were a reference for filmgoers. As Rui Pina, the owner, explained, later they found out that it was not what the public wanted: most of the clients found the thematic decoration funny, but did not know much about the cinema world.

In order to redefine the costumer's experience (rethinking the interface between the organization and its customers (Sawhney *et al*, 2006), they tried to make a "mix" between these reference works and more popular and known films, albeit with less quality. In this way, they can create a nice experience to costumers, who can literally "dream" surrounded by their favourite movie or director.

3.3. Innovation through Offerings / Customers / Customer Experience / Value Capture - Design Innovation

3.3.1 Gallery Hostel (Case 3)



Figure 6 – The gallery of Gallery Hostel

Source: www.gallery-hostel.com

As mentioned in the literature review, the Innovation Radar explains that a company can innovate through its offerings. *“Innovation along this dimension requires the creation of new products and services that are valued by customers”* (Sawhney *et al*, 2006). As Gonalo Castanho, owner of the Gallery Hostel, explained, the hostel *“has created a new service to offer the clients, by merging the hostel concept with its own Art Gallery, and contributes with its bi-monthly changing art exhibitions, concerts and other cultural and artistic initiatives to the whole community”*. But the innovation goes beyond that: the staff has a project, “We Care”, which represents the effort to protect the environment through different green initiatives such as recycling, solar water heating and much more.

In this way, the hostel also innovates in its target audience (the customers): not just the hostel guests, but the city residents who attend the hostel to visit the exhibitions and adhere to cultural initiatives.

On the other hand, the costumers’ experience also changes: hostel guests have the opportunity to engage with citizens and participate in local actions; and citizens begin to view the hostel as a different, more interesting space, worth of regular visits.

These opportunities mean in new sources for capturing value. The hostel can discover untapped revenue streams, develop novel pricing systems and otherwise expand its ability to capture value from interactions with customers and partners (Sawhney *et al*, 2006). It creates, thus, a new business model: a restructuring of the traditional "hostel" concept, as a space chosen only for staying overnight - on the contrary, the Gallery Hostel presents itself as a place where guests coexist directly with art, culture and local inhabitants. This is, then, as supported by the literature mentioned in the first chapter, a case of innovation through design.

3.2.2. Oporto Excentric Hostel (Case 4)

Oporto Excentric is much more than a place chosen by guests just to spend the night. The business model is totally different from the traditional hostels, the offer going far beyond what is typically available in this type of accommodation.

Indeed, Oporto Excentric works not only as a hostel, but also as a design agency, a surf school and as a promoter of sports activities.

As Dário Ferreira, the manager, explained, this hostel addresses a very well defined market segment, distinguishing itself from traditional hostels: "*Surf lovers are, undoubtedly, most of our guests. We have special packages with surf lessons, the most sought after by foreigners*". This is, clearly, an asset as a differentiated offering and an innovative business model to capture value – the design innovation.

It also provides the costumers with the experience of an innovative and surprising environment, especially created by its own design agency. They have decorated each room with a diverse theme, related to Porto's culture and representing emblematic places of the city.

3.4. Innovation through Customers / Customer Experience / Solutions

3.4.1 Oporto City Hostel (Case 5)

The website of Oporto City explains that the hostel comes from an old guest house, which was completely rehabilitated. The entire building was recently rebuilt, and the facilities are new and equipped with modern appliances.

What stands out about this hostel are their infrastructures. Unlike the traditional concept of hostel, all the rooms in Oporto City Hostel have private bathrooms and personal storage places, "*which ensures greater privacy*", Márcio Marques, the owner, mentions.

As Sawhney *et al* pointed out (2006, p. 31), "*solution innovation creates value for customers through the breadth of assortment and the depth of integration of the different elements*". With the private bathrooms and lockers, customers who do not want to give up their privacy and prefer not to share the bathroom with strangers solve a problem they face when seeking for a room in a traditional hostel. And this can lead a certain segment of customers to choose this hostel, instead of another.

These features may therefore promote a greater sense of security and privacy, improving the consumer experience.

3.4.1. Oporto Sky Hostel (Case 6)

When Alda Catarino opened the Oporto Sky Hostel, she decided that it should have one room only for women. From her point of view “*so is how it should be*”, a contrary concept to traditional hostels, where there is no separation by gender.

As mentioned before, this hostel also provides a solution for one of the problems guests can face when looking for accommodation. If a woman does not mind to share the room with other people in order to pay less, but does not feel much at ease on sharing it with men, she now has the solution for her problem.

Benefiting from a more private setting, this room reserved for women provides an alternative experience when compared to other hostels, ensuring a different female consumer experience.

3.5. Innovation through process

3.5.1. Invictus Hostel (Case 7)

In the Invictus Hostel website one can see that the staff “*try to be as environmentally friendly as possible*”. This is why the hostel is fuelled by solar energy, through solar panels, and has bicycles for rent.

As Loreta Sá Pereira, the receptionist, explained, “*as well as being environmentally friendly, solar panels are more powerful every day while their cost is decreasing. This makes solar energy an increasingly economically viable solution*”. Though solar equipment requires a more substantial initial investment, this investment is quickly recovered, thanks to money saved in electricity bills, water and gas.

This is, then, an innovative, cost effective and efficient alternative, which can be described as an innovation in the process. According to Sawhney *et al* (2006, p. 32),

“processes are the configurations of business activities used to conduct internal operations. To innovate along this dimension, a company can redesign its processes for greater efficiency, higher quality or faster cycle time”.

3.6. Interviews – a summary

According to the innovation radar of Sawhney *et al* (2006), not only the representativeness of the sample (the hostels that stand out for presenting innovative features) was taken into account but also the different ways to innovate as characterize by the literature.

In total, 13 interviews were held for the purpose of this analysis, and other sources have been consulted such as news accessed on the Web and the hostel’s websites (see Table 2).

Hostel	1st interview	2nd interview	News on the web ¹¹	Website Analysis ¹²
Tattva Design Hostel	18/06/2014 Renata Serra – <i>Communication Manager</i>	28/08/2014 Rita Gonçalves - <i>Receptionist</i>	8 (3 in international publications)	http://www.tattvadesignhostel.com/
Gallery Hostel	20/06/2014 Gonçalo Castanho - <i>Owner</i>	01/09/2014 Catarina Ribeiro - <i>Receptionist</i>	4 (1 in international publications)	http://www.gallery-hostel.com/
Rivoli Cinema Hostel	05/07/2014 Rui Pina - <i>Owner</i>	25/09/2014 João Saraiva - <i>Owner</i>	7 (2 in international publications)	http://www.rivolicinemahostel.com/
Excentric Hostel	05/08/2014 Dário Ferreira - <i>Manager</i>	_____	_____	http://www.oportoexcentric.com/
Oporto City Hostel	05/08/2014 Márcio Marques - <i>Owner</i>	10/09/2014 Rui Garrido- <i>Receptionist</i>	_____	http://www.oportocityhostel.com/

¹¹ Accessed between 3rd September 2014 and 23rd September 2014

¹² Accessed between 3rd September 2014 and 23rd September 2014

Invictus Hostel	07/08/2014 Alda Catarina - Owner	10/09/2014 – Loreta Sá Pereira – Receptionist	_____	http://www.oportoinvictushostel.com/
Oporto Sky Hostel	08/08/2014 Luzia Moreira - Owner	15/09/2014 – Sara Moreira - Receptionist	_____	http://www.oportosky.com/

Table 2 – Innovative hostels in Porto - summary of the study

Source: own Elaboration

3.7. Script of the interviews

The first of a series of 13 interviews took place on June 18, 2014, and was made with the communication manager of Tattva Design Hostel, Renata Serra. The elements that have been, firstly, taken into account in the questions asked were the following:

1. The purpose of the innovation;
2. The pre-planning of the communication strategy;
3. The existence of pre-promoting;
4. The communication strategy directed to a predefined specific audience;
5. How the innovation was communicated and the factors to be considered in this disclosure;
6. The audience's perception of the information;
7. The staff's perception of the innovation;
8. The presence of outsourcing activities in the communication process;
9. The barriers in the communication process;
10. The relationship with the media;
11. The success of the innovation and the role the communication had on it;
12. The presence of external factors that have influenced the communication of the innovation.

However, during the interview, other important aspects were mentioned that had not been taken into account initially. In what follows these aspects are briefly referred.

13. The presence in reservation channels (“Booking”, “Hostelworld”, “HostelBookers” and similar ones)

“Over the past decade, the use of global Internet-based reservation systems for accommodation has grown massively” (Gössling and Lane, 2014, p. 1).

Since the middle 1990s, terminal-based reservation systems confined to travel agencies have been replaced by individualised internet-based reservation systems, also called online travel agents, open to anyone with Internet access (Toh *et al*, 2011).

Gössling and Lane (2014) believe that, in Internet-based reservation systems, properties compete in a very transparent way and on the same basis, including: accommodation type/standard; location; price and guest evaluations.

Currently, the most popular reservation channel is Booking.com, established in 1996. According to the company, each day, over 700,000 room nights are reserved on this platform.¹³

Given the importance of ratings and reviews in online decision-making, reservation platforms may also increase the quality of services, as they increase the interest in service quality, while providing specific advice as to where to improve services (Gretzel and Yoo, 2008). They encourage travellers to judge, explicitly supporting critical perspectives, as guests are asked to report both positive and negative experiences.

Evaluations have a clear impact on online sales and prices in the hotel industry. A study developed by Öğüt and Taş (2012) focusing on hotels in Paris and London suggests that a 1% increase in online customer review rates increases sales per room by more than 2.5%, also leading to higher pricing of hotel rooms.

¹³ Source: LinkedIn Bookin.com:
http://www.linkedin.com/company/booking.com?trk=vsrp_companies_hero_name&trkInfo=VSRPsearchId%3A1937409081411464622540%2CVSRPtargetId%3A11348%2CVSRPcmpt%3Ahero, accessed on 23rd September 2014

14. The presence in blogs

Schmallegger and Carson (2008, p. 106) concluded, in their research about blogs in tourism, that *“blogs have a number of advantages over other forms of content, even web-based content. They are relatively easily updated, relatively flexible in structure, encourage interaction between authors and readers, and allow people to participate in information exchange who might not otherwise have the opportunity”*. The same authors (2008) also point out the importance of companies, particularly the ones related to the tourism sector, to invest substantial amount of time in incorporating blogs in their communication strategies. They also suggest that the most immediately useful application of travel blogs for destination marketing organizations and tourism business is for monitoring the attitudes of travellers.

15. The “word-of-mouth” communication

“Word of mouth” (WOM) is an informal mode of communication between non-commercial parties concerning the evaluation of products and services. As WOM is a low cost and reliable way of transmitting information about products and services, it plays an important role in information diffusion in consumer markets and in shaping consumers' attitudes (Boon and Chung, 2011). WOM is particularly important in service marketing due to the heterogeneity of service quality, the higher associated risk, and the intangible nature of services.

Berger and Schwartz (2011, p. 869) point out that word of mouth *“is frequent and important. Consumers talk about new running shoes, complain about bad hotel stays, and share information about the best way to get out tough stains. Social talk generates more than 3.3 billion brand impressions each day, and affects everything from the products consumers buy to the drugs physicians prescribe”*. However, although research has shown that WOM has important consequences, less is known about why consumers talk or how marketing campaigns can generate more WOM.

In the study of Lovett, Peres and Shachar, *“On brands and word of mouth”* (2013), the authors show that the brand characteristics affect WOM through three drivers: social,

emotional and functional. This means that WOM is not related to only one characteristic, as the first impression of a product or service.

16. The presence on social network sites

Whereas mass media and other impersonal channels may create awareness of an innovation, interpersonal influence through social networks is the dominant mechanism for diffusion (Greenhalgh *et al*, 2014). Nowadays, it makes no sense to consider social networks without taking into account their presence online – the Social Network Sites.

In fact, *“by providing new means for communication and interaction, the Internet has become a unique environment for the emergence and spread of innovations”* (Montanari and Saberi, 2010, p. 15). *“Social Media represent a revolutionary new trend that should be of interest to companies operating in online space”* (Kaplan and Haenlein, 2010, p. 59). Several companies are already using social networking sites to support the creation of brand communities. Specifically in tourism-related businesses, the internet has reshaped the way information is distributed and the way people plan for and consume travel (Buhalis and Law, 2008).

Moreover, companies and other organizations are looking to online social marketing programs and campaigns in an effort to reach consumers where they ‘live’ online. However, it is no longer enough to merely incorporate social media as standalone elements of a marketing plan. Companies need to consider both social and traditional media as part of an ecosystem whereby all elements work together toward a common objective: whether to launch and promote a new product or service; to communicate a new company initiative; or to simply further engage customers in a rich, meaningful, and interactive dialogue (Hannaa *et al*, 2011).

In Portugal, one of the most used social networking mechanism is still the *facebook* - which reaches billions of people every day. *“By the end of 2013, Facebook was being used by 1.23 billion users worldwide, adding 170 million in just one year”*¹⁴.

Finally, Table 3 lists the criteria chosen to carry out the proposed research.

¹⁴ Source: The Guardian: <http://www.theguardian.com/technology/2014/feb/04/facebook-10-years-mark-zuckerberg>, 4th February 2014

Issues	Short description	Source
Pre-planning of the communication strategy	Previous definition of the communication strategy for launching the innovation	Interviews
Pre-promotion of the innovation	Communication of the innovation before it was effectively implemented	Interviews
Communication directed to a specific audience	Prior definition of a target audience to which the communication strategy was oriented	Interviews / Website
Website	The innovation is divulgated on the website of the hostel	Interviews / Website
Social Networks (Facebook)	Presence on social networks – in Porto, hostels almost exclusively use <i>Facebook</i>	Interviews
Booking Channels	The innovation is divulgated on “Booking” / “HostelWord” / “TripAdvisor” or similar channels	Interviews
Blogs	The innovation is divulgated on blogs	Interviews / News on the web
Contact with media	Creation of press releases and presence in the social media	Interviews / News on the web
“WOM” communication	The innovation is mentioned by the clients who had experienced it to other people	Interviews
Outsource of communication activities	The process of communication was developed by an outside organization	Interviews
Audience’s perception of information	The understanding of the innovation by the target audience	Interviews
Staff’s perception of the information	The understanding of the innovation by the hostel’s staff	Interviews
Role of the communication strategy in the success of the innovation	How the communication of the innovation contributes to its success	Interviews
External factors influence	How the external factors to the organization influence the communication of the innovation	Interviews / News on the web
Barriers to the communication	Aspects that were obstacles to the communication of the innovation	

Table 3 – Issues addressed in the interviews

Source: own elaboration

Chapter 4

Main Results and findings

4.1. General findings

Table 4 summarizes the main results obtained from the data collected in interviews, in the news on the web and on the hostels' websites, taking into account the selected variables.

	Costumer Experience						Process
	Tattva Design Hostel	Rivolli Cinema Hostel	Costumers				
			Offerings		Solutions		
			Value Capture – Design Innovation				
			Gallery Hostel	Oporto Excentric Hostel	Oporto City Hostel	Oporto Sky Hostel	Invictus Hostel
Pre-planning	Yes	No	Yes	Yes	No	No	No
Pre-promotion	No	No	Yes	No	No	No	No
Communication to a target	No Wider audience	Yes Cinema lovers	No Wider audience	Yes Surf lovers	Yes higher education students	No Wider audience	No Wider audience
Website	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Social Networks (Facebook)	Yes	Yes	Yes	Yes	Yes	Yes	No
Booking Channels	Yes	Yes	Yes	Yes	Yes	Yes	No
Blogs	Yes	Yes	Yes	No	No	No	No
Media	Was contacted	Was contacted	Was contacted	Was contacted	Was contacted	Was contacted	Was contacted
	Sent press release	_____	_____	Sent press release	_____	_____	_____
	International media	International media	International media	_____	_____	_____	_____
WOM	Yes	Yes	Yes	Yes	Yes	Yes	No
Outsource of communication activities	Yes	No	No	No	No	No	No
Audience’s perception	Yes	No	Yes	Yes	Yes	Yes	Yes
Staff’s perception	Yes	No	Yes	Yes	Yes	Yes	Yes
Role of communication in the success of the innovation	Yes	Yes	Yes	Yes	Yes	Yes	No
External factors influence	Yes International Events	Yes Ryanair flights to Porto and Festivals	Yes Opening of art galleries in the street	Yes The recent disclosure of the city at an international level	Yes Festivals	Yes Festivals	Yes Events and Festivals
Barriers to communication	Competing with the other hostels	Defining the target audience	No	No	Measuring its results	No	Reach the public in the low season

Table 4 – Main results of the research

Source: own elaboration

In what concerns the pre-planning of the innovation's communication strategy, it is not possible to establish a relation between the type of innovation and planning a communication strategy. This pre-planning has been done by the Tattva Design Hostel, Oporto Excentric Design Hostel, the Gallery Hostel and the Oporto Sky Hostel.

Only the Gallery Hostel made a pre-promotion of its innovation. The owner announced the art gallery in an arts exhibition website even before it was opened. Around one thousand people were present at the gallery opening.

About the target audience, most of the hostels have defined a specific public, and addressed the communication in order to reach it. The Oporto Excentric Hostel, the Oporto City Hostel, and the Rivoli Cinema Hostel orientated their communication specifically for young people (up to 30 years old), communicating with the clients in an informal way, to create a more welcoming and pleasant environment. The Oporto City Hostel also mentioned that the guests are, usually, higher education students.

The guests of the Oporto Excentric and the Rivoli Cinema Hostel are also a specific public: the first are passionate about surf, and the others are cinema lovers (although they are not necessarily experts in the area). These results are justified by the fact that the mentioned hostels are Thematic Hostels: one for its innovative design in the decoration of the rooms, providing a unique experience to the consumer, and the other by the innovative offering of the surf school.

The other 4 hostels orientated their communication for a wider audience: young people, families, pilgrims, with the communication strategy aiming at reaching all kind of people, without a specific focus.

With regard to the ways of communicating innovations, all the hostels have communicated it in their websites, and, with the exception of the "Invictus Hostel", in the social network. However, the most important communication channel pointed out was the Booking Channels: the most quoted were the "Booking", the "HostelWord" and the "HostelBookers". As it was mentioned in the interview in the Tattva Design hostel, *"most people search for a "hostel in Porto" in the reservation channels, most of our clients come from there, not from our name"*.

In the Gallery Hostel, the “Trip Advisor” was also mentioned, and the importance of the positive reviews by the guests. And the staff of the Oporto Excentric Design Hostel believe it is important to be mentioned in the travel agencies and in the specific platforms for those looking for sport holidays, as “Luex”.

Blogs, in turn, do not seem to have much relevance: only the Gallery Hostel mentioned that sometimes bloggers sleep in the hostel and write about it. The staff of Tattva and Rivoli also explained that they are mentioned in travel blogs.

Regarding the contact with the social media, only two hostels had sent press releases: Tattva and Oporto Excentric. However, all the hostels were, at least once, contacted by the social media. It happened mostly because of the significant growth of hostels in Portugal and, specifically in Porto, and also because of the music festivals that gather many foreigner people.

Only the owners of 3 hostels mentioned the presence in international social media: Tattva, Rivoli and the Gallery, which is consistent with the international news found on the internet.

The “word of mouth” communication was considered by almost all the studied hostels studied the second most important vehicle for promotion, just behind the booking channels. Only Oporto Excentric and Invictus believe it is not a crucial aspect to reach the public.

It was also noticeable in this study that the communication was carried out completely by the hostel staff, without outsourcing this kind of services. The exception is the Tattva Design Hostel: the company "Guia Sentido" was hired to develop all the communication strategy of the hostel, as Renata Seabra, communication manager, explained.

The information provided in the communication channels is, according to the respondents, very clear and noticeable to the public. The exception, this time, is the Rivoli Cinema Hostel: the first communications in the website, *facebook* and booking channels aimed to distinguishing the hostel as the ideal accommodation for cinephiles, auteur movies and award winning films lovers. Yet, the actual customers are not as

those for which the communication is addressed: they are people who appreciate the concept of a themed hostel dedicated to cinema, but often do not know much about it.

The staff's perception about the innovation, according to the responses obtained, is fully in line with what is communicated and what the public perceives (except, as it was pointed out above, the initial case of Rivoli Cinema Hostel).

The interviews of 6 of the 7 hostels studied express the idea that the considered innovation is an asset to the hostel, and its communication to the public represents a large part of its success. However, it seems more can be done in this direction.

A completely different case is the one of the Invictus Hostel. The owner admits that the solar panels, which produce energy for the hostel, though mentioned on the website, are not, definitely, the main factor that attracts guests – contrary to what happens in the other hostels, the innovation is not relevant for the choice.

This can be a communication problem, as the only channel used to communicate the innovation was the hostel's website. But this assumption cannot be proved: it may well be the case that the public simply does not value this innovation.

Regarding the influence of external factors to achieve the target audience, all respondents agreed that, indeed, it exists. However, it does not influence each hostel in particular, but all hostels in Porto, as a whole. Summer festivals, international events, the global agreement that Porto is one of the cities that should be visited by tourists, and the cheap flights are some of the factors mentioned by the respondents. These factors do not directly influence the success of innovation, but the growing demand for a hostel.

Moreover, the majority of the respondents do not assign too much importance to the difficulties in the innovation's communication process, as they consider the main purpose of a hostel is to get customers - and this goal has been fulfilled.

"Everything has gone well" is the most common answer. However, the owner of Invictus admits that it is more difficult to reach the public in the low season; the owner of Rivoli had difficulties in defining the target audience, and Tattva Design Hostel finds increasingly difficult to compete with the emerging hostels. The owner of Oporto City

also points out how difficult it is to objectively measure the results of the communication actions, making it hard to allocate human resources for these services, given the associated costs.

In the next sections, the most important issues raised by the interviews are briefly presented.

4.2. Innovation through Costumer Experience

4.2.1. Tattva Design Hostel (Case 1)

The Tattva design hostel, as the name suggests, stands out for its innovative decoration: associated not only with aesthetics but, above all, with the comfort provided to the guests. Regarding to its external dissemination, this hostel stands out for having hired an agency, "Guia Sentido", to manage all the communication processes. The communication strategy was planned in advance, in order to "sell" the idea of functionality, aiming a more selective target, which includes people of all ages and even with disabilities.

The website, the booking channels and the social networks were the main means used to show the design concept, through constant updating of accurate photographs, and by gathering many positive "reviews". On the other hand, sending press-releases to the media was a valuable strategy which resulted in the presence in national and international publications, such as the reputable arts magazine, Wallpaper.

Renata Seabra, the communication manager, and the receptionist Rita Gonçalves agree that the information they intended to disclose was well assimilated by the public and the entire staff, and the fact that "Porto being trendy" is an asset not only to Tattva, but for all other hostels.

4.2.2. Rivoli Cinema Hostel (Case 2)

The Rivoli Cinema hostel is one of the "coolest" hostels of Europe, according to an analysis developed by the hotels website, Trivago. Rivoli is a thematic hostel, where the decoration is designed to meet the taste of the seventh art lovers.

No specific divulgation strategy for this concept was adopted, and no pre-promotion was planned. The audience was expected to be young people up to 25 years, but, eventually, the hostel also hosts quite older people.

The communication was addressed to cinephiles and auteur cinema lovers; however, this strategy was not well succeeded. Contrary to the owners, guests are not necessarily knowledgeable in cinema, they just appreciate the interesting decor. So, a restructuring in the decoration of the hostel had to be done, now including the allusion to films of lower quality, but more popular, in order to capture the attention of a broader public.

Rui Pina, a founding partner, believes that the main means of divulgation are the website, the *facebook* page and the booking channels. He also admits that *word of mouth* is very important to spread a positive image. Moreover, despite he has never sent press-releases, the media often seek them for interviews.

4.3. Innovation through Offerings / Customers / Customer Experience / Value Capture - Design Innovation

4.3.1. Gallery Hostel (Case 3)

The communication strategy of the Gallery Hostel was carefully planned to encompass not only the guests but also local art enthusiasts, through a language accessible to everyone.

The promotion was made six months before the hostel opened, on an external site and through a flyer. A thousand people attended the hostel opening.

Currently, the communication is made at the hostel's website, the reservation channels and social networks. *Trip Advisor* is also a good source of positive "reviews" that

enhances the visit of new guests, and both the owner of the hostel, Gonalo Castanho, and the receptionist, Catarina Ribeiro, believe that *word of mouth* is undoubtedly the most important vehicle for promotion. The information is well understood by the public and the entire staff shares the taste and knowledge about art.

Although no press releases have been sent, the media often approach them. This happens not only with national but also international newspapers: the New York Times once mentioned the hostel in a report.

The different artistic initiatives taking place in Miguel Bombarda street, where the hostel is located, are, according to Gonalo, a very important factor to attract new customers.

4.3.2 Oporto Excentric Hostel (Case 4)

Oporto Excentric is not just a hostel. It is a hostel, a design agency and a surf school. The promotion was geared mainly towards surf lessons, the offering most sought after by guests: 95% of the audience are foreigners who want to learn the sport.

Both, the sports offer and the innovative design of the rooms (representing different places in Porto), were published on the hostel's website, in social networks, in reservation channels and on specific platforms for the public who is looking for specific sportholidays, such as the website Luex. The manager, Drio Ferreira, has now access to a very comprehensive data base with Scandinavian, British and Dutch contacts.

The divulgation strategy started with the promotion of "the only surf camp in the centre of Porto", through Inezz, the design and advertising agency located in the same site. Furthermore, sending press releases allowed the hostel to be contacted by several media, for interviews.

4.4. Innovation through Customers / Customer Experience / Solutions

4.4.1. Oporto City Hostel (Case 5)

Private bathrooms and lockers make Oporto City different from a traditional hostel, as it provides a higher of privacy for its guests.

Directed to a mostly young audience (high education students), the communication on the website, *facebook* and booking channels was made in a very informal way, with a simple and accessible language. A standard text has been published in these channels, and it is also sent by email to the clients: it is a very synthetic text, with only two paragraphs, where there is a reference to the private bathrooms and the cost of the stay.

Members of the staff get along very well, because they are part of a very small and relaxed team, and they all know the necessary information to communicate.

The greatest difficulty in the communication process is, in the opinion of the owner, Márcio Marques, measuring the results of the adopted strategies, to know the effectiveness of each promotion action. On the other hand, to allocate the human resources required for the development of these strategies is also seen as an obstacle, because of the associated costs.

It seems they have never contacted any media, but they have been approached by them at the time of music festivals that took place in the city, when the Porto hostels were full.

4.4.2. Oporto Sky Hostel (Case 6)

In the Oporto Sky Hostel, the promotion of a room just for women is an asset, especially for certain nationalities: South Korean and Turkish, for example, have much in mind this separation by sex, when choosing a hostel.

However, communication is not a very developed area in Oporto Sky. Without a well-defined strategy, divulgation is done primarily through the website and booking channels, and it has not been updated since a long time. It is made in order to reach people of all ages, and through an informal and perceptible language.

Word of mouth is considered a very important factor: pilgrims who are walking the “Caminho de Santiago”, for example, recommend the hostel to the following travelers.

There is no effort to contact the media and, often, the owner of the hostel, Lucia Moreira, is not willing to give interviews or to welcome the several publications that already contact her – this can be a barrier to the communication of the innovation.

4.5. Innovation through Process

4.5.1. Invictus Hostel (Case 7)

The Invictus Hostel is powered by solar panels. This information is appended to the hostel’s website and in the booking channels where they appear, but it is not considered relevant to attract guests, who are supposed to be people of all ages.

No strategy to communicate with the target audience has been developed, and no steps have been taken to publicize this environmental initiative. The information is accessible to guests through the Internet, and the media sometimes contact them to learn more about the hostel, but no effort is made by the owner to contact them.

Photos in the website are not updated but, still the owner of the hostel, Alda Catarino, and the receptionist, Loreta Sá Pereira, consider the desirable information is understood by the public, and that the entire staff is prepared to adequately answer questions from customers.

4.6. Conclusion

The results of this research show that there is no obvious relationship between the way hostels innovate and the success of the communication of innovations. However, one may conclude that innovations in hostels are seen mainly as differentiating factors in the industry they operate; and their communication can have a decisive impact on customers’ choice.

This conclusion is clearly reinforced by the respondents' perspectives. For example, the staff of the Tattva Design Hostel believes their hostel is chosen for its creative design and the comfort of its accommodation, aspects that are made explicitly through the great quality photographs present in distribution channels and that stand out in international publications news. The owner of the Rivoli Cinema Hostel considers his hostel as the first choice for the people that, by consulting the website, realize it is a themed hostel and enjoy this decoration, even if they are not experts in cinema.

Not only foreigners but also locals visit the Galery Hostel exclusively for its art gallery and exhibitions. Guests at the Oporto Excentric Hostel seek, mostly, a sports holiday with surf lessons, and that's why this package of activities is the most widespread in the communication channels.

Márcio Marques, owner of the Oporto City Hostel, in all the emails he sends to the potential clients mentions the existence of private bathrooms, as he believes this is a factor that will influence their decision. Even Luzia Moreira, who does not like interviews from the media, admits that it is important to disclose to all channels where the hostel is shown the existence of a room just for women, to reach an audience of different nationalities, such as South Korean and Turkish women.

A completely different case is the one of the Invictus Hostel. The innovation - solar panels, which produce energy for the hostel - though mentioned on the website, is not, definitely, the main factor that attracts guests – contrary to what happens in the other hostels, the innovation is not relevant for the choice. This means that, unlike the other examples, if a guest is undecided between two hostels to stay overnight in Porto, he will not choose, as a rule, Invictus Hostel because of its innovation.

This may be a communication problem, as the only channel used to communicate the innovation was the hostel's website. But this assumption cannot be proved: it may well be the case that the public simply does not value this innovation. Or that the hostel innovates through process and not through customer's experience. But these are only hypotheses that have not been validated.

Chapter 5

Conclusion

The framework proposed in this dissertation for the communication of innovations has undergone several changes during the research, to incorporate the findings and results of the work.

A revised version of this framework is presented in Figure 4.

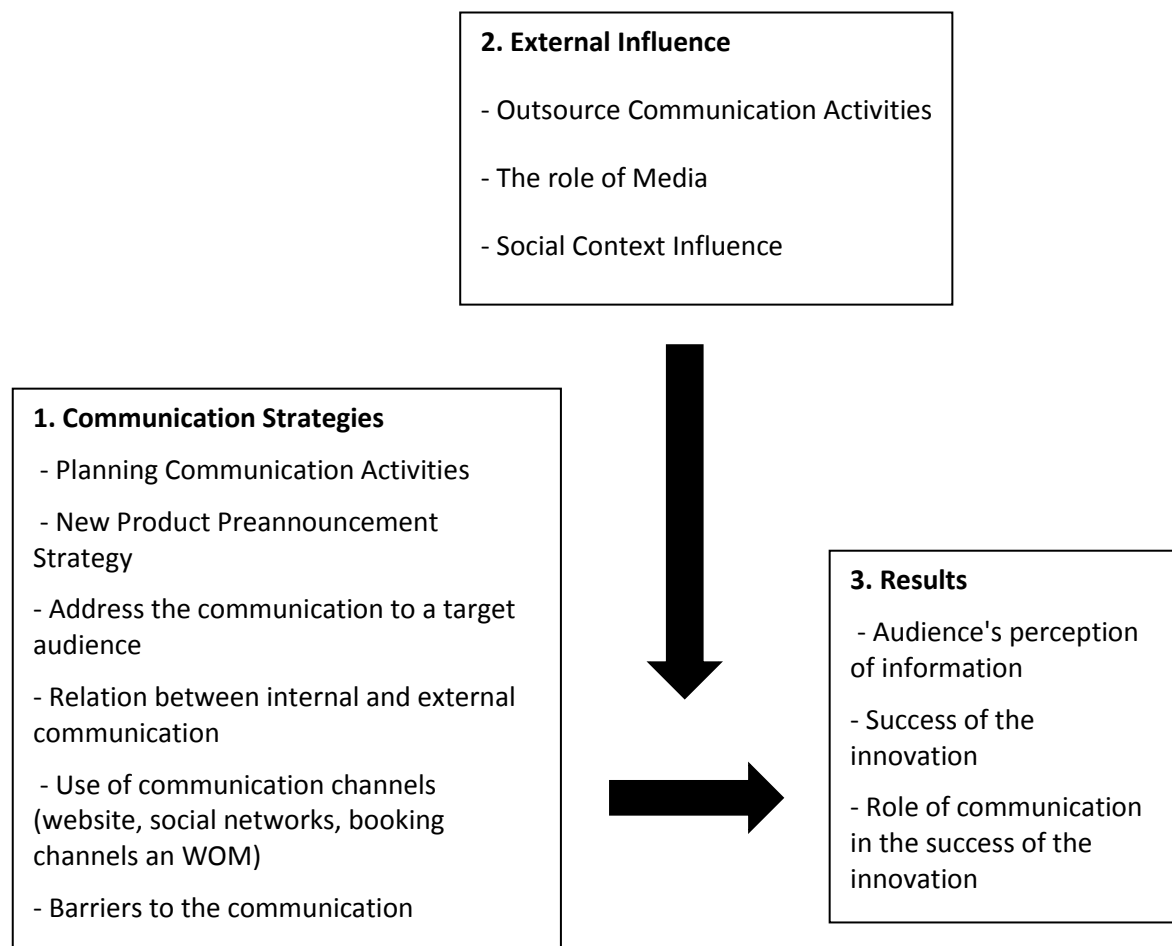


Figure 4 – Revised framework for the communication of innovations

Source: own elaboration

The framework presented on Figure 4 is a quite useful tool to understand and characterize the most common communication strategies mentioned by the respondents. Clearly these strategies may have a significant impact in the final results (although the influence of external factors may also condition them). It seems therefore clear that the communication of innovations will influence their success.

In the sample analysed in this study, foreigners visit Porto and stay in hostels - they would do it anyway, regardless of the innovation, because the demand for hostels is clearly increasing and often even exceeds the available offer (this is an external factor). But when they become aware, by the communication channels of the existence of an interesting innovation in their accommodation (through the development of communication strategies), this can clearly influence the choice of a hostel.

In this sense, the answer to the research question: **Can external communication strategies potentiate innovations' success?**, is, in most of the cases studied, positive. In fact, in all hostels that innovate in terms of the consumer experience, the communication can be viewed as an asset for the success of the innovation.

However, when the innovations are not communicated properly, it is hard to foresee what would happen if the focus on communication was greater. It might happen that the innovation would lead to a more successful performance and, therefore, the company would benefit from it. But in general when the company is having positive results, there is no concern with these issues.

For future research, it would be useful to include a questionnaire to the guests, in order to better understand their motivations in choosing a hostel and the importance of the innovation in their choice. The sample can also be extended to other cities, in order to provide a broader view of this reality in Portugal.

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